

The Federal FSA Program

Qualified Status Changes - Fact Sheet

Qualified Status Changes and the Federal FSA Program

What is a Qualified Status Change?

The Federal FSA Program is a tax-saving plan governed by the rules of Section 125 of the Internal Revenue Code. An important rule for Section 125 plans is that your election to participate in a Health Care Flexible Spending Account (HCFSA) and Dependent Care Flexible Spending Account (DCFSA) cannot be changed during the Plan Year unless you or your dependents experience a Qualified Status Change.

Qualified Status Changes are events defined by the Internal Revenue Service in Section 125 that allow you to change your FSA election and include:

- ✓ Change in your legal marital status (i.e. marriage, legal separation, divorce, or death of your spouse)
- ✓ Change in your number of dependents
 - ✓ Birth or adoption of a child, or placement for adoption
 - ✓ Death of a dependent
- ✓ Change in your dependent's eligibility (for example, your child reaches the age 13 where he/she is no longer eligible for coverage under a DCFSA.)
- ✓ Change in cost or coverage, such as a significant cost increase charged by your current day care provider, or a change in your provider. This applies to DCFSA only.
- ✓ Change in employment status (i.e. for employee, spouse, or employee's dependent) that affects your eligibility for benefits.
- ✓ Change in residence, required by your employer, affecting your eligibility for health care benefits. (i.e. moving to an area that would require you to elect a new FEHB or other insurance plan).
- ✓ Change in the number of tax dependents you have (e.g., parent now resides with you/birth of child, etc.)

Note: A dependent constitutes anyone claimed on your taxes or with whom you jointly file a Federal income tax return.

If you or your dependents experience a Qualified Status Change, you may change your election(s) in the Federal FSA Program; however, your requested change must be consistent with the event that prompted the election change. For example, if you adopt a baby, you may want to increase your HCFSA and/or DCFSA elections to accommodate the added medical expenses and/or day care costs you may incur for this adopted child. A situation where you may wish to decrease your DCFSA, for example, would be if your spouse decided to stay home with your child and you no longer had eligible day care costs. Additionally, you are not permitted to reduce the election for a HCFSA or DCFSA to a point where the total allotment for the Plan Year is less than the amount already reimbursed or on deposit in your account for the Plan Year.

I have had a Qualified Status Change. What do I do now?

- ✓ If you wish to make a change, you must notify SHPS anywhere from 31 days before to 60 days after the date of the event. You can do this by completing a Qualified Status Change Form which can be downloaded from www.fsafeds.com or by calling our toll free phone line at 1-877-FSAFEDS (372-3337). You can also use the Qualified Status Change Form to change your elections in the HCFSA or DCFSA.
- ✓ You may fax the completed form to SHPS at 1-502-267-2233. SHPS is responsible for verifying that your event is a Qualified Status Change. SHPS may request additional documentation of your event or information about how the requested change is consistent with the event. Once the Qualified Status Change has been verified, SHPS will process any election change you have requested.

Effective Date of Changes Made as a Result of a Qualified Status Change:

- ✓ Changes will go into effect the first pay date following approval of the Qualified Status Change, and verification of the event by SHPS. If the change is requested due to the birth or adoption of a child, the change will be effective retroactively to the date of birth or placement for adoption for coverage purposes, based on the requirements of the Health Insurance Portability and Accountability Act of 1996 (HIPAA). SHPS will determine the appropriate deductions prospectively.
- ✓ If you choose to report your Qualified Status Change to SHPS prior to the date of the event you **MUST** notify SHPS of the actual event date before the change can become effective.

When will my payroll change and How is my Qualified Status Change Confirmed?

Payroll changes will be effective on the first pay date following approval of the Qualified Status Change, even if the effective date is retroactive to the event under the requirements of HIPAA. The deduction amount change will not be retroactive and SHPS will determine the appropriate prorated rate. You will receive a confirmation of your Qualified Status Change approval 5 to 7 business days after the election is made.

What happens if I have a Qualified Status Change at the start of a period of Leave Without Pay if I already participate in HCFSAs or DCFSAs?

A period of Leave Without Pay (LWOP) itself is NOT considered a Qualified Status Change unless it is due to military deployment. However, if you make a Qualified Status Change at the start of a period of LWOP, and you already participate in the Health Care or Dependent Care Flexible Spending Accounts, you have two options for your coverage DURING the LWOP period:

- Cancel coverage as of the start of your leave. Allowable expenses you incur during your leave will **not** be eligible for reimbursement under the plan; or
- Continue coverage per your Qualified Status Change revised election amount during your leave period. Allowable expenses you incur during your leave will be eligible for reimbursement. If you choose this option, you must fund your account in one of these ways:
 - Prepay your allotments. You may accelerate your deductions, prior to your leave without pay. Allowable expenses incurred during your leave will be eligible for reimbursement. For DCFSAs, if you are not working during your leave, you may not be eligible for reimbursement on dependent care expenses.
 - Freeze your account and re-calculate payroll deductions upon your return from leave.

Please remember, if you are in the Dependent Care Flexible Spending Account, claims incurred during your period of LWOP must meet IRS guidelines for eligible expenses (i.e. the expenses must be incurred in order to allow you and your spouse to work or attend school). For many employees in LWOP status dependent care expense will not be eligible for reimbursement.)

Who do I contact if I wish to file an appeal?

You have the right to appeal a claim for benefits that have been denied by writing to SHPS and requesting reconsideration. You can submit written appeals to:

**FSAFEDS Program
P.O. Box 36880
Louisville, KY 40233-6880**

If you have questions you may call the FSAFEDS toll free phone line at **1-877-FSAFEDS (372-3337)**. Appeal information is also located on the FSAFEDS website at www.FSAFEDS.com.

Who do I contact for more information?

If you have any questions about Qualified Status Changes, please call the toll-free FSAFEDS Line at 1-877-FSAFEDS (372-3337). Benefit Counselors are available to assist you from 9:00 a.m. to 9:00 p.m. Eastern Time, Monday through Friday.